



SG Capital Research

Global Market Insights

Research Note – Intermediate Update # 1 (B)

MAEG INTERMEDIATE UPDATE # 01 SG 2010 # AUG 31

For Immediate Release

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Due to market conditions we have a “ Intermediate update # 01“ a day earlier than schedule .

Market Strategy Global (A) - SPX – Closed @ 1048

Analysis of Broad Market that includes

- Primary Market SPX & DOW as market driver and
- Secondary Markets NYSE, NASD, RUSS .

We have picked up charts below that has some distinct characteristics and values from last weeks observation at Inflection points based on our assessment:

- RUSS, NASD, DOW
- SPX - ST, LT
- EURO

SPX – “Our Current Signals & Projections”

- ***On 6th Aug – POM 14 – Re run was triggered at 1125 SPX and since then its dropped (-7.0%) with lows at 1039***
- ***On 26th Aug , Our Indicators conformed POM 13 @ SPX 1047 – This risk management area .***
- ***We have decisive weekly close below 1085 which is intermediate bearish conformation***
- ***All price actions on upside should remain between confluence Zone of 1085 to 1110 (- 34 W MA underneath and Fibonacci o @ 50%. (As per the charts Indicated in earlier Reports). This would be actionable area***
- ***All the price action on downside should remain between confluence zone of 1010 – 980. (As per the charts indicated in earlier Reports) This should be actionable area***

Market Insights

Typical August end light volume action on account of vacation weekend . With no natural buyers in the market, the market simply took back most of what it had gained on Hugh really on Friday. On 26th Aug , we had conforming POM 13 at 1045 for “ risk management “ after a drop of -7% from our POM 14 Re- Run (SPX 1125).

Short Term (ST)

The short term indicators (ST) have texture of bounce here , as indicated by ST – Sentiments, ST – Price Projections, Divergences and oversold condition by various short term matrix . **The move to C point of price path of the contracting triangle that we have been tracking is at 1085 but apparently yesterday we stopped at 1065 SPX highs. However we need a better signal then this for reversal & for actionable Area of POM 14 Re –run..... POM 14 is a better risk reward on Sell side.**

To keep the texture of this bounce in tact we need to have Price action & Indicators on broader Indices conform the following as shown in charts below. We are watching some other signs to negate this condition .

1. Potential Reverse Head & Shoulder Pattern as Indicated in SPY – ST Chart below (Our assessment is if it happens , then the only the first half projection will materialize before everyone jumps on that band wagon .
2. YEN & TLT both have been driving this market Tick by Tick (we watched this so closely last night) Friday we had the first exhaustion move on both and there is possibility it may go test those highs in both again causing SPX to pull back .
3. So far the mini uptrend t from last Wednesday's low of SPX 1039, we have two higher highs and two higher lows. This also is true with EURO (see the last chart below)
4. For very short term the daily 5 D - ARMS index closed at 3.80 today and reading above 3.00 can produce a bounce in the market in the next day or two.

Intermediate Term (IT)

If this above stated short term doesn't hold then SPX 1065 was indeed the C point of the contracting triangle & Apex Now if decline continues as it break the lows 1040 SPX . The real actionable point for desired Risk / Reward will come at our Price Projection Confluence zone of 1010- 980. (That has been our intermediate target for quite sometimes) . This the area where we think IT – Sentiment (Panic) as depicted in Friday note) , IT - Price Projection , T – Cycle dates etc will all converge for Intermediate price move in that confluence Price zone . **To prepare for this we can keep a watch on potential SETUP 3's in high quality Equities at lower valuation band .**

RUT – ST – “ Still above the lows”

RUT was one of the best performing indices last week on bounce. The index is still testing **potential** support around 590. Its “potential” support because the overall trend is down and. The index has resistance at 630 on rally bounce

The indicator window shows the CCI around -100 (oversold). Even though the index became oversold numerous times, CCI is in bear mode as long as it remains in negative territory. Look for a break above +25 on bounce t if this lows hold



QQQQ – ST – “ Below the lows & below 61%”

QQQQ trying to firm around their 62% retracements. The falling channels or wedges over the last 3-4 weeks and last week's gap turned into resistance. The CCI to break into positive territory to turn momentum bullish.



SPX – ST – Still above the lows” – Potential Inverse H & S Bottom

SPY also meeting resistance from last week's gap. A falling channel or wedge formed over the last 3-4 weeks.

It would then be possible that an inverse head-and-shoulders pattern is taking shape. This pattern remains a **big “if”** because SPY is in a downtrend until proven otherwise (but at least first half of the pattern can happen)



SPX - LT

Seasonality remains bearish into September / October timeframe and may be where the next intermediate term low will be found. To help find the next intermediate term low the weekly RSI may fall below 30 like it did back in October 09. The current weekly RSI stands at 43.50 . The weekly On Balance Volume (OBV) broke to new recent lows last week and shows weakness . The weekly Bollinger Bands continue to find the trend when it rolled over in May and continues in a downtrend.

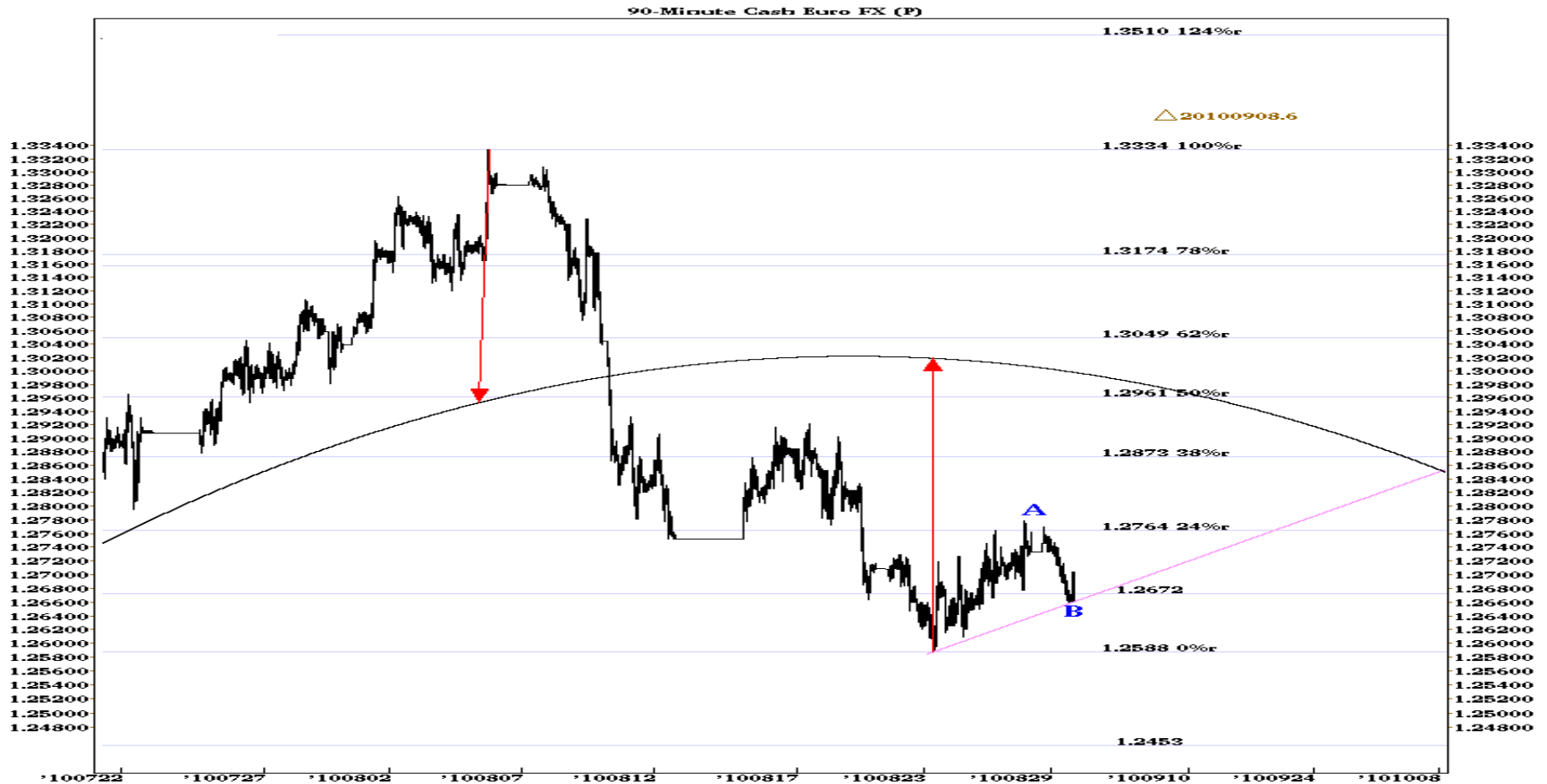


Sector ETF Analysis (C) – Related Section – None

Currency Analysis (D) - Related Section - we have scheduled Release of full Report Today

EURO –

Weakness in the euro accounts for the weakness in the market. As you can see, Yesterday's dip could be a B within an ABC rally.



PQV Equity Analysis (D) - Related Section – None

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